

COMMONWEALTH OF VIRGINIA  
STATE CORPORATION COMMISSION

INTERIM STAFF REPORT  
PRESENTING RECOMMENDATIONS ON FURTHER PROCEEDINGS  
FOR PROMULGATING PROPOSED RULES

EX PARTE: In the matter of establishing rules and regulations pursuant to the  
Virginia Electric Utility Restructuring Act for competitive metering services

CASE NO. PUE010298

July 16, 2001

## INTERIM STAFF REPORT

The Virginia Electric Utility Restructuring Act (§ 56-577 et seq. of the Code of Virginia) (“the Act”), as amended by the 2001 General Assembly, directs the State Corporation Commission (“Commission”) to promulgate certain rules and regulations as may be necessary to implement various provisions of the Act. Section 56-581.1 of the Act directs the Commission to promulgate rules and regulations as may be necessary to implement the provision of competitive metering services. The Act directs the Commission to implement the provision of competitive metering services by licensed providers for large industrial and large commercial customers of investor-owned distributors effective January 1, 2002. The Commission may approve such services for residential and small business customers of investor-owned distributors on or after January 1, 2003, as determined to be in the public interest by the Commission. Upon the reasonable request of a distributor, the Commission shall delay the provision of competitive metering service in such distributor’s service territory until January 1, 2003, for large industrial and large commercial customers, and after January 1, 2004, for residential and small business customers.

On May 15, 2001, the Commission established a proceeding, Case No. PUE010298, to establish rules for competitive metering services. The Commission directed all investor-owned electric distribution utilities to file their intended schedule for implementing competitive metering services on or before

May 31, 2001. Three of the four investor-owned electric distribution utilities starting implementation of full or phased-in retail access in Virginia on January 1, 2002 – Delmarva Power & Light, Dominion Virginia Power, and Potomac Edison – requested a delay in implementing competitive metering within their distribution service territories until January 1, 2003, for large industrial and large commercial customers, and after January 1, 2004 for residential and small business customers. Appalachian Power Company initially filed a notice of intent to begin the implementation of competitive metering on January 1, 2002, for large industrial and large commercial customers, and on or after January 1, 2003 for residential and small business customers. Subsequently, on July 3, 2001, Appalachian Power Company filed its intent not to press for the issuance of competitive metering rules by January 1, 2002. However, Appalachian Power Company requests that the Commission not foreclose the possibility that early entrants into the competitive metering market could be accommodated under the Company's existing tariffs between January 1, 2002 and January 1, 2003. Kentucky Utilities Company, which is permitted to transition to retail choice in its Virginia service territory on or before January 1, 2004, requested a delay in the implementation of competitive metering services in its Virginia service territory until after January 1, 2004.

In its May 15, 2001 order, the Commission also directed the Staff to investigate, with input from a work group, and file an interim report by July 16, 2001, presenting recommendations on further procedures for promulgating proposed rules for competitive metering services. In light of the uncertainties

surrounding competitive metering, the Commission encouraged the Staff and the work group to consider the feasibility and appropriateness of an approach that provides a reasonable level of flexibility for experimentation. The competitive metering work group met on three occasions – June 13, June 28, and July 10, 2001. All parties on the service list in Case Nos. PUE010296, PUE010297, and PUE010298 were notified of the work group meetings and invited to attend. A list of the entities represented by the work group participants is attached. The work group focused on assisting the Staff in developing and providing a recommendation to the Commission regarding an appropriate process for implementing competitive metering. In its deliberations, the work group considered the requirements of the Act, Virginia's retail access business model and the contribution of metering to the operation of that market, the current stage of industry restructuring in the Commonwealth, and the current status of competitive metering regionally and nationally.

In order to assist the Staff in developing a recommendation regarding further procedures for promulgating proposed rules, the work group discussed and generally agreed to a phased approach to competitive metering. Although competitive metering was not defined in the Act, the work group participants generally agreed that a measured approach, initially ensuring the provision of meter functionality choices, would serve the public interest and contribute to the goal of facilitating the development of effective competition in electric service for all customer classes. Therefore, as described more fully below, Staff

recommends the Commission approach competitive metering in several stages, the first of which would focus on the provision of a range of options for customers regarding the availability and accessibility of meter data information, including the provision of meter data on a near real-time, on command basis.

Admittedly, one means of obtaining this information is through complete unbundling of physical meter services and meter data management services. However, complete unbundling would involve substantial time to develop the appropriate business rules, and expansion of competitive metering services would be expensive given the infancy of the market and the lack of uniform business practices that are needed to achieve economies of scale. In addition, attempts in other states to fully unbundle all utility metering service functions has generated little participation and is reported to be problematic in a number of regards. A slower, phased-in approach appears to be a more prudent step at this time. The phased-in approach advocated by the Staff does not preclude the eventual inclusion of any particular component of metering services from being part of the competitive retail market. Finally, the Staff believes that this approach is consistent with Virginia law.

The work group generally agrees that timely access to interval or near real-time meter data is critical to the development of a competitive retail electricity market. This type of data access and availability will allow customer service providers to deliver improved pricing signals which will provide customers with necessary information and proper incentives to adjust consumption patterns and,

accordingly, help competitive service providers manage risk in procuring energy. To obtain this goal, each investor-owned electric distribution utility will ensure the availability of metering functionality choices, including access to data on a near real-time, on-command basis to all customers or a third party (subject to customer consent) at reasonable costs. This could entail read-only access to advanced meters or sending a stream of data pulses proportional to energy usage, for example. During the first stage of this phased-in approach, the utilities will continue to provide at a reasonable cost all physical and data management metering services which include, but are not limited to, installation, maintenance, testing, reading, reporting, and data maintenance, validation, editing and estimation.

The approach that is recommended herein represents only the first stage of a phased-in approach. The Staff and the work group generally support the phase-in of competitive metering over several stages as demand materializes for additional services that may enhance the development of effective competition in electricity service, and as new technologies that may provide additional value to customers become available. This measured approach allows for careful consideration of the economic benefits of the developing market while providing the metering services that consumers in other states have demonstrated a desire to purchase. Additionally, this approach provides the necessary flexibility for this emerging market to develop properly without prematurely imposing any significant costs on Virginia's customers. The approach should also provide the

necessary flexibility for experimentation, since the experience gained would likely be beneficial to the subsequent phases of competitive metering. Some work group participants have expressed an interest in experimental development of certain provisions of meter services in conjunction with the investor-owned distribution utilities, and the Staff believes that they should be encouraged to do so. In addition, between January 1, 2001 and January 1, 2003, the investor-owned utilities should be allowed to accommodate early entrants to the competitive metering market under approved tariffs.

In summary, as a result of the Staff's investigation, with input from the work group, this Interim Report presents the following recommendations on further procedures for promulgating proposed rules for competitive metering services:

- The first stage of a phased-in approach for implementing the provision of competitive metering should provide meter functionality choices and data access choices, including access to meter data information on a near real-time, on command basis by January 1, 2003.
- The Staff and the work group should continue to meet in an attempt to address proposed rules relative to meter functionality and data access choices including access to meter data on a near real-time, on command basis. Staff should submit a draft of the proposed rules for this first stage of the phased-in approach to competitive metering by February 14, 2002.

- Upon the implementation of rules for the provision of meter functionality choices and data access choices, the Staff and competitive metering work group should continue to meet and conduct an ongoing examination of the competitive metering market. The Staff, with input from the work group, will make recommendations to the Commission regarding subsequent phases of the implementation of competitive metering.



COMPETITIVE METERING WORK GROUP PARTICIPANTS  
(For Meetings on June 5, June 28, and July 10, 2001)

Allegheny Energy Supply  
Allegheny Power  
Schlumberger Resource Management Services North America  
The New Power Company  
Olameter, Inc.  
Christian & Barton  
Williams, Mullen, Clark & Dobbins, P.C.  
Dominion Virginia Power  
American Electric Power  
AES NewEnergy, Inc.  
Utiliread  
Energy Consultants, Inc.  
Conectiv  
NCS Pearson  
Virginia, Maryland & Delaware Association of Electric Cooperatives  
Virginia Natural Gas, Inc./AGL Resources  
Peregrine Energy  
Northern Virginia Electric Cooperative